

# Corruption and Distorted Development: Competition, Institutionalization and Strategies for Reform

Michael Johnston  
Department of Political Science  
Colgate University  
Hamilton, NY 13346 USA

Tel: +1-315-824-7756  
Fax: +1-315-824-7883  
Email: [mjohnston@center.colgate.edu](mailto:mjohnston@center.colgate.edu)

USAID Conference on Economic Growth  
and Democratic Governance

Arlington, VA  
October 9-10, 1997

## ABSTRACT

Corruption is best regarded as endogenous to development -- that is, as one among many interlinked economic and political problems and processes. It contributes to political and economic trends that are complex but tend to be found in two kinds of syndromes. In one, democratic politics, relatively high levels of prosperity, and relatively low levels of corruption are mutually reinforcing; in another, politics is undemocratic, economic development is uneven, slow or even negative, and levels of corruption are high. Corruption can become entrenched within, and help maintain, this undesirable equilibrium because it grows out of and helps sustain *low levels of political and economic competition*, and because it *weakens institutions* protect the growth of active markets and political processes, and that define and link the political and economic arenas in legitimate ways. Thus, a growing body of evidence suggests that corruption reduces economic growth, penalizes foreign direct investment, and thrives in relatively closed, uncompetitive economies. These economic costs in turn make it more difficult to build sustainable democracy. Fighting corrupt practices for its own sake is worth doing, but we should also think of them as symptoms of deeper difficulties. Four general kinds of corruption problems are discussed as the extended consequences of various kinds of developmental imbalances. Reforms that increase political and economic competition, and that strengthen the institutions linking those two arenas, can improve developmental trends and reduce corruption. To shift from a high-corruption/low-development situation to the positive synergy of a low-corruption/high-development equilibrium, it is important to understand how a variety of aid initiatives affect levels of political and economic competition and influence the viability of institutions. Most of the options are familiar parts of the aid-policy repertoire; but they will be most effective as part of a coordinated attack upon the underlying causes of corruption. If they are well-chosen and -coordinated, many of the programs we already have in place can contribute to anti-corruption efforts.

## I. INTRODUCTION: DEMOCRACY, MARKETS, AND SYNERGY

A linkage between democratic governance and sustained economic growth is both a general pattern visible in many parts of the world and an assumption upon which aid policy and the past decade's political transitions have been built. Many countries in transition -- be it from communist regimes or more personalized forms of dictatorship -- have sought to make what Adam Przeworski (1995) calls a "North-West Passage" -- that is, a move toward both the advanced economics of the North and the democratic institutions of the West. Official agencies and NGOs concerned with aiding those transitions generally encourage both kinds of change on the grounds that democratic politics is essential to the creation and protection of free markets, and thus to broad-based growth, and that as citizens' basic material needs and expectations are met they are more likely to support democratic values (on the latter point, see Inglehart, 1990; Barro, 1995). Perhaps even more clear is the apparent linkage between undemocratic and/or unstable politics and slow, uneven or negative economic growth. Where change has produced turmoil or "hung" transitions, we often find that reforms have been unbalanced or poorly sequenced. Thus, in Russia and parts of Central Europe we see many problems growing out of the fact that political liberalization outran economic reform early on, and still has not been matched by growth sufficient to improve citizens' daily lives. On the other side, China's strategy of market reform with continued political hegemony -- while never intended to produce a democratic transition as such -- has led to mounting social tension. By contrast, countries with traditions of sustained democracy tend to be more affluent than those without them, and wealthy

nations tend to be democratic.

But as the phrase "tend to" makes clear, this linkage is far from perfect, and positive changes in one domain do not necessarily lead to progress in the other. Singapore is wealthy, but scarcely democratic; Spain, with its model democratic transition, still faces serious economic difficulties, as do most of the more recently-democratizing states. Statistically, the empirical links between democracy and economic growth are surprisingly weak over longer periods of time (Przeworski and Limongi, 1993). Barro, on the basis of data from "around 100 countries", concludes that free markets tend to produce growth and, over time, contribute to the spread of democratic values. But while the presence of civil liberties, small government, and the rule of law contribute to economic growth, the relationship between political liberties and growth is weak and inconsistent (Barro, 1995). It is worth remembering that not very long ago we believed democracies tended toward policy gridlock, overconsumption and underinvestment, and thus could not compete with the comprehensive planning, forced savings and deferred consumption found in undemocratic states. Many of the positive political developments in Latin America over the past generation took place during the economically stagnant "lost decade" of the 1980s, not during the more rapid growth of the 1960s and early 1970s (Huntington, 1991). Established as well as new democracies experience periods of economic weakness, while many of the past generation's fastest-growing countries have political systems that are democratic in few respects, or in which reform has been belated and uneven. There are, of course, a number of success stories in which rapid growth and political reform have been linked, as in South Korea. Still, while many

nations have gradually developed systems in which democracy and market-based prosperity are mutually supportive, it is quite another thing to create that synergy deliberately through aid and reform. Many African states, for example, have taken significant steps toward political reforms in the 1990s, but sustained economic growth remains elusive.

Sources of Synergy. Clearly, the coexistence of formal market and democratic institutions -- while a significant achievement in its own right -- is not enough to guarantee the kind of development we seek. Where democracy and growth do support each other, their vitality and synergy rest on two major conditions: significant, structured competition within the economic and political arenas, and legitimate institutions creating well-defined boundaries and paths of access between them. In both politics and economic life, people and groups must have genuine choices and alternatives open to them. Active competition weakens the ability of any one interest or faction to dominate its own arena and to intrude unduly upon the workings of the other. Moreover, citizens who have real economic and political alternatives will be less vulnerable to exploitation, and thus in a better position to resist corruption and respond effectively to it. Sustained political competition can create essential incentives for the effective oversight of bureaucrats by elected officials. But while competition must be genuine and vigorous, it must also be structured and orderly. Total *laissez-faire* in the economic realm is likely to enrich the few and impoverish the many. In the political sphere a free-for-all among twenty or thirty parties will not yield a stable democratic mandate for any of them; instead, it will likely produce a state of political insecurity in which politicians, unsure of their hold on power, enrich themselves as quickly

as they can (Scott, 1972; Knack and Keefer, 1995).

Institutions guaranteeing orderly relationships between the political and economic realms are just as important as vigorous competition within them. There must be clear, and accepted, boundaries and distinctions between state and society; public and private roles and resources; personal and collective interests; and market, bureaucratic, and patrimonial modes of allocation (Johnston and Hao, 1995). Where such boundaries exist competition and free interaction within each realm are more secure: it will be more difficult for economic interests to buy political influence, and for government officials to plunder the economy. Citizens will be better able to live and interact freely in an active civil society, to form effective social norms (Cooter, 1997), and to engage in self-organized social activity. But the two spheres cannot and should not be utterly separate: there must be open and legitimate channels of access between them. Policies must be grounded in, and respond to, social and economic realities; social and economic behavior must be subject to the effective rule of law. Property rights and the enforceability of contracts must be credible. People and groups in society must be able to communicate with, and influence, elected officials and bureaucrats; the latter must be able to gather information about society. Such linkages are essential for maintaining accountability, including not only the general accountability of state to society, but also the accountability of bureaucratic to elected officials. As with political and economic competition, completely unstructured interaction is not desirable. Both elected and appointed officials need enough autonomy to carry out their work in an uncompromised, authoritative way. Creating clear boundaries and structured access between the

political and economic realms is no simple task. But where they are insufficient -- as in contemporary China, where new forces unleashed by market reform have few legitimate ways to influence the still-powerful bureaucracy -- they will be created corruptly.

These are by no means the only factors affecting democratization, growth, and the relationships between them. A country's social and cultural characteristics, its history, geography, resources, and economic base, the political and economic wellbeing (or problems) of its neighbors, and many other variables intervene. Competition within and orderly relationships between the economic and political spheres are not guarantees of developmental success, but rather are *minimal conditions* for it. But where democratic politics and significant growth coexist they can reinforce each other, creating broad-based material security, a favorable setting for the growth of democratic values and practices, and a system in which ordinary citizens retain important choices and rights. Przeworski points out, for example, that one reason why most democracies survive economic difficulties is that via political competition citizens can replace the government of the day without bringing down the regime (Przeworski, 1995); in this way, economic realities provide an important corrective for politics. Similarly, democratic governments can institutionalize markets -- supporting them on the one hand (encouraging participation and the flow of information), and restraining them and easing their negative impacts on the other (inhibiting unfair practices and reducing the social costs of economic change). Unemployment insurance, pure-food and -drug laws, and (more recently) environmental protection are examples of the latter sort. Structured, competitive politics can help resolve, or at least ameliorate,

social and ethnic conflicts that are harmful to growth and development (Easterly and Ross, 1996), and that may keep some groups on the political sidelines. Vigorous economic competition, by itself, does not necessarily produce broad-based growth; sound public policies that protect key economic institutions and encourage participation, savings, investment, and a moderate redistribution of wealth are also a part of the mix. Countries lacking a democratic tradition also have poor track records when it comes to providing such policy support for growth.

## II. CHOICE, ACCOUNTABILITY, AND CORRUPTION

Positive synergy between democratic and market processes can be disrupted or weakened in many ways, ranging from war and natural disaster to ethnic conflict to the whims of dictators. But in recent years we have come to recognize corruption, in its various forms, as one of the most serious threats to social and economic development. Where democracy and growth coincide, corruption, while never totally absent, tends to be low or moderate in scope (Elliott, 1997); where economic stagnation and undemocratic politics are the rule, by contrast, we often find serious, even entrenched, corruption. Again the connection is complex and imperfect: corruption occurs, and at times is a serious problem, in advanced systems too. Moreover, it occurs in a bewildering variety of forms, sometimes as a sudden outbreak of elite abuse, and sometimes as a continuing presence of pervasive corrupt practices, making comparisons among cases and countries difficult. While all cases feature the illicit mingling of market and political processes, the emphasis can vary widely: as I will suggest, in some

countries the main corruption problems have to do with excessive economic influence in politics, while in others powerful state officials plunder the economy. Solid evidence of corruption -- much less hard data -- can be difficult to find: unlike many other forms of wrongdoing, the victims of corruption are usually well-removed from the events themselves, and all who have knowledge of a corrupt act generally have an interest in keeping it secret. Assessing its effects is no simple matter: all corruption benefits someone, or else it would not occur, and there are varieties (such as petty patronage) in which rewards are widely distributed -- though there, the long-term, collective costs more than cancel out the short-term gains (Johnston, 1982). It is also tempting, but wrong, to use corruption to explain too much (Leys, 1965): it neither accounts for all that is bad, nor cancels out all that is good, in any society. Still, most corruption hurts most people most of the time, and in developing countries it can do serious harm to democratic politics, and reduce and distort economic growth.

Corruption is not some external phenomenon that "happens to" a country; instead, it is endogenous to development processes, systemic in its origins, and symptomatic of deeper problems. It is often part of a syndrome of delayed, diverted or distorted political and economic development. Powerful political and economic interests use corrupt influence to create and protect illicit advantages, in the process diverting and distorting investment, aid and growth, and pre-empting political competition. Where corruption is particularly extensive it is likely to draw political and economic interests together into networks of influence that obliterate meaningful institutional boundaries between the political and economic realms and render the formal linkages between them superfluous. In such a

setting, citizens who play either game by its formal rules often find themselves the losers, with few real avenues of appeal. Where civil liberties are secure, and some political or economic alternatives to corruption remain, people may confront corruption directly. But where it is entrenched, citizens will more likely respond in what Alam (1995) calls *evasive* ways -- dropping out of politics or the mainstream economy, foregoing economic benefits, or moving away -- or in *illicit* ways, fighting back with corrupt influence of their own. Such responses may in the short run protect individuals from the worst effects of corruption, but they will do little to reduce it. Indeed, they can play directly into the hands of corrupt interests intent upon maintaining their power.

What is Corruption? One of the longest-running and most intractable debates in the corruption literature has been over definitions (Johnston, 1996). Clearly corruption involves *the abuse of public roles and resources for private benefit*; but in some settings -- often, in places where it is most pervasive -- meaningful distinctions between "public" and "private" may be difficult to draw, and attempting to treat corruption as a clear-cut category of behavior may obscure our view of the forces contending over, and redefining, roles and standards. Benefits to those involved may be intangible, impersonal, and difficult to identify (Thompson, 1993, 1995). And what constitutes "abuse"? One school of thought contends that definitions based on laws and other formal rules are best by virtue of their relative precision and stability (Nye, 1967). Critics reply that at times the law enjoys little legitimacy, that definitions of corruption must address the question of its social significance, and that cultural standards or public opinion thus offer more realistic and subtle definitions (Gibbons, 1988;

Peters and Welch, 1978). Still others contend that both approaches, by focusing on the classification of behavior, ignore fundamental issues of morality and justice in society at large (Dobel, 1978; Euben, 1978; Moodie, 1980; Philp, 1987; Thompson, 1993). I make no claim to resolve this debate here.

Instead, I will treat corruption as the illegitimate use or appropriation of public roles or resources by public or private parties, recognizing that key aspects of this definition can be very much in dispute. In many of the countries we are most concerned about, enough activity clearly fits such a definition that we need not worry about the classification of ambiguous cases at the margins.

Trends in Analysis. Corruption is now the focus of welcome -- indeed, overdue -- interest from international organizations, business, aid agencies, and scholars. But it was not always thus.

Corruption as an analytical concept dates at least as far back as Plato's notion of "corrupted constitutions", and of course it has had a long and varied life as a political issue and rallying point for reformers. A tradition of viewing corruption as a collective state of being, and thus as indicating the morality of an entire polity and its people, can be seen in sources as old as Thucydides's commentaries on the Peloponnesian War (1954 ed., Book 5, Ch. 7) as well as in more contemporary scholarship (Dobel, 1978; Euben, 1978). A more familiar modern approach, with roots in the work of Hobbes, Locke, and Rousseau, and in Enlightenment conceptions of citizenship, rights, and leadership, examines corruption at the level of particular actions or individuals, with a major emphasis upon the rules that govern them.

During the 1960s and early 1970s corruption was widely debated as an influence upon development, but that phase was followed by a long period of isolation. A small number of scholars continued to study corruption, but the topic was given little emphasis in the development policy debate, and even less in mainstream academic research. The isolation was conceptual, too: corruption was often treated as a discrete problem or event, rather than as part of a general developmental situation. The recent revival of interest has not only brought corruption back into development analysis as an endogenous variable, and to a lesser degree back into the academic mainstream; it also has affected analytical approaches in ways that have been mostly beneficial but have had some costs as well.

This up-and-down history has many causes. The debate of the 1960s challenged us to consider the origins, social setting, and consequences of corruption in real societies rather than just to condemn it and move on. But it did not devote sufficient attention to the diversity of corrupt practices and of the situations in which they arise, and was marked by a not-very-subtle debate about whether corruption as a generic process was "functional" or harmful for development. The two sides of this debate tended to talk past each other, marshalling their own examples but never agreeing upon the appropriate tests for answering the functionality question. Those arguing that corruption was functional noted, quite rightly, that specific people or interests benefited from it, that sometimes the beneficiaries were numerous, and that the real alternatives to it had problems of their own. But they tended to discuss these cases -- too often, hypothetical ones -- in isolation, focusing upon the immediate stakes

while ignoring longer-term effects. What might be "grease" for an individual transaction can become a source of pervasive inefficiency in the broader economy as officials contrive ways of attracting payments while firms forego long-term investment for corrupt short-term gains (Rose-Ackerman, 1996), and as both sides seek to reduce competition in their own domains. Those seeing corruption as harmful were forthright in pointing out the damage it does to political systems and economies, but did not emphasize the underlying problems of which corruption is a symptom, or were overly-optimistic about eliminating it and about the processes that would take its place. Few in either camp had an integrated view of political and economic development and, with only a few exceptions, both sides generally argued for an omnibus verdict on all forms of corruption in all sorts of situations -- generalizations that we now see as unhelpful for development policymakers.

Partly because of its lack of closure and useful policy recommendations, that early debate gave way to a period of fifteen years or so in which corruption as a research topic languished on the sidelines of both the policy process and academic research. Useful case studies were still done, but integrated comparisons were few. A preoccupation with *definitions* marked much of the academic work. This was a healthy development insofar as it encouraged analysts to agree upon what they were discussing, but it was unfortunate in other ways: the search for a single behavior-focused definition that was both precise and universally applicable was doomed to failure, and tended to become preoccupied with marginal cases while losing sight of core problems. Ironically, while much of this work was seen as too abstract by policymakers, mainstream academic researchers (in Political

Science, at least) dismissed corruption as too closely tied to "applied" politics and administration, as a residual exception to policy models, or as the preoccupation of a naive, scandalized public and press - in short, not as an issue for serious discussion. Thus, Watergate and other domestic cases of the 1970s and early 1980s served more to marginalize corruption as a scholarly issue than to draw attention and resources to it.

Recently, several forces have converged to revive interest in the topic. The end of the Cold War, and straitened aid budgets, led many in the West to question corruption among leaders who had only recently been valued partners on ideological grounds. The uneven democratic and economic transitions that followed often involved significant amounts of corruption, real and perceived, and again posed questions regarding the links between growth and democracy, and the ways aid resources could be used to greatest benefit. Successful processes of change, such as those in Spain and Greece, pointed to the value of a strong civil society, which in turn raised the question of how to protect it and harness its energies as a force for accountable government. The belief in many changing societies that political and economic reform must support each other, as noted above, compelled a renewed focus upon synergy between economic and political development. A longer-term evolution in aid policy also contributed to renewed interest: "Structural Adjustment" raised the question of what would take the place of official decisionmakers and processes if we were to roll back their power, and highlighted the need for good governance as a counterpart to market reform. Concern over the sorts of interconnections (and boundaries) to be encouraged between wealth and power was a natural next

step for that debate. Finally, the rapid globalization of markets and accompanying intensification of competition led to growing concern on the part of business: where some had seen corruption as just an overhead expense involved in doing business in various parts of the world, a new consensus regards it as an impediment to trade, as a sizeable tax on international investment (Wei, 1997), and as an unaffordable cost of doing business with unpredictable, often negative consequences. Since 1993, Transparency International has been building an international anti-corruption coalition in which businesses play a major role.

New attention and resources have produced healthy substantive developments. The old functionality debate has given way to a more pragmatic sense that most corruption hurts most people most of the time -- even if the damage is at times widely-shared, intangible, and long-term in nature -- and to a more subtle appreciation of its complex origins and implications. As I will outline below, a similar consensus -- this one backed up by broad-based comparative evidence -- is forming around the notion that corruption is harmful to economic growth. Corruption is now seen as embedded in political and economic development rather than as an external influence. It is viewed as a systemic process, rather than as a discrete action or set of incidents, and evidence of its effects is sought at a variety of levels in society and in the economy. International as well as domestic sources of corruption receive attention too. Significant advances have been made, by both academic and business analysts, in the comparative measurement of corruption levels and in the quantitative study of its effects. In the process, the work of economists and political scientists has become more closely integrated.

There are also drawbacks to the new trends, however. While the unproductive focus upon marginal issues of definition has largely gone by the boards, we now probably overemphasize bribery and its close cousin, extortion, as synonyms for corruption generally. Perhaps this occurs because bribery is easily subjected to formal modeling approaches and also figures prominently in the experiences of those who contribute to corruption rankings. But "corruption", broadly speaking, also includes nepotism, black-market activities, patronage networks, official theft, favoritism, and a range of other activities, and can yield intangible as well as material gains for its practitioners. Thompson's analysis (1993) of the Keating Five case in the United States focuses upon activities that do not fit neatly into a bribery paradigm but nonetheless are symptomatic of corruption in a deeper sense. We should also consider the accumulated effects of petty corruption upon citizens and small enterprises over the medium to long term. Similarly, subtle cultural and social characteristics of societies remain important factors conditioning the incidence of corruption and responses to it; these have received less emphasis during the recent "corruption revival" than they might deserve. So too has *scandal* -- the collective sense of outrage over perceived abuses. Corruption and scandal are different things; each can exist without the other, and particularly in democracies and transitional societies mass perceptions of corruption can be important facts for politicians, investors, and analysts alike.

### III. CORRUPTION AND DEVELOPMENT

The connections between significant corruption and developmental problems run deep. Some of them are clear and direct: when political figures and their cronies divert aid and investment capital to

offshore bank accounts, poor nations become poorer. Where political, bureaucratic, and judicial processes are put up for rent, civil liberties and property rights are endangered. In both instances, political and economic benefits are likely to flow to the few and the well-connected (and, at times, to their political followers), while the costs are extracted from society at large -- often, from the poor and powerless. While the tangible and immediate damage can obviously be significant, others are intangible, collective and long-term in nature: for example, democratic values of trust, tolerance, accountability, and participation can become more and more irrelevant to the realities of life, and political and economic opportunities are denied to many of the people who need them most. These costs are no less real and serious for being difficult to measure.

At a deeper level, corruption disrupts political and economic development, and inhibits synergy between them, because it preempts competition and short-circuits orderly relationships between political and economic processes. Consider the schematic equation proposed by Klitgaard (1988: 75):

Corruption equals *Monopoly* plus *Discretion*, minus *Accountability*.

This equation is not an explanation of any one corrupt act, or of why a particular official does or does not engage in corruption. Any such account would include many more variables. It does, however, point to ways in which agencies and governments become vulnerable to corruption, *and it indicates*

*conditions that those involved in corruption will go to great lengths to preserve.* As such it suggests not only the ways in which corruption becomes embedded in institutions, but also -- as we shall see -- how it distorts and delays development, creating poor economic and political conditions that in turn contribute to further corruption.

Klitgaard used this formulation effectively to analyze bureaucratic corruption. There, officials who have gained control over valuable goods or decisions (monopolies), and who can decide who will and will not gain access to them (discretion) without having to answer for their actions (a lack of accountability), are able to engage in serious, repeated wrongdoing. Where such abuses are widespread, monopolies coupled with discretion impair political and economic competition across much of society. A bidder who bribes bureaucrats and thereby wins a contract has rendered competitive bidding meaningless. Politicians who build machines, buy votes, or bribe pollwatchers subvert political competition. Discretion without accountability weakens institutional boundaries and linkages between the political and economic realms: political figures may practice extortion upon private clients for routine bureaucratic functions, while interests in either arena may create illegitimate connections with the other, rendering legitimate paths of influence meaningless.

These connections are multi-directional. Corruption pre-empts competition and accountability; but it will also be easier to build (and harder to combat) corrupt networks where political and economic competition, and mechanisms of accountability, are weak. Similarly, where institutional

boundaries and paths of access are weak or disrupted, it will be easier for corrupt actors in each sector to plunder the other, and more difficult for their critics to confront them. Thus, significant corruption is not just a cause of development problems, but also is *a symptom of deep-rooted problems and imbalances*. Eradicating specific corrupt practices -- while certainly worth doing -- may by itself be a superficial remedy at best. Unless coordinated democratic, economic, and anti-corruption reforms address the overall competitive health of, and institutional boundaries and linkages between, the political and economic realms, corruption will return, very likely in more elusive forms (Rose-Ackerman, 1996; Johnston, 1997b).

### Two Syndromes

We can see these broader interconnections at work in a range of societies (Johnston, 1997a). In some countries, active competition and accepted rules of accountability make it difficult for anyone to dominate politics or the economy, and relatively clear boundaries between those two realms prevent the worst sorts of exploitation of each by the other. Politics and the economy are open and broadly participatory, and via legitimate paths of access the vitality of each aids development in the other. This does not mean that there is no corruption in such societies, nor -- much less -- that they are free of political and economic difficulties. It does mean, however, that they enjoy a kind of positive synergy symbolized by the rough diagram below:

economic growth

democratic politics

low/moderate corruption

In other societies, however, democratic processes and economic growth are weak; competition within each sector is feeble, and boundaries between them are unclear. Significant corruption is a part of this picture too, both reflecting and perpetuating the problems within and between the political and economic sectors. Corruption is not to blame for all problems; rather, it is a part of a broader syndrome in which political and economic development are distorted or delayed, a few groups and interests do very well at the expense of the many, and -- often despite the presence of the formal institutional hardware of democracy and market economics -- positive synergy between growth and democracy is nowhere to be found. Again, a very rough schematic representation of this syndrome appears below:

weak economic growth

undemocratic politics

significant, entrenched

corruption

The mutually reinforcing dynamics within each of these syndromes mean that they can be quite

durable. Indeed, it is helpful to think of them as alternative equilibria (Johnston, 1997b), each containing its own sustaining mechanisms and linkages. While it is tempting to discuss high-corruption cases using the metaphors of illness and disease, these are misleading. Rather than weakening systems until they collapse, entrenched corruption can be quite durable indeed. Weak competition and mechanisms of accountability enable powerful figures and their followers to maintain a highly-enriching *status quo* free from effective challenges. It may seem paradoxical to assert that anyone could profit from poor economic development. But if corruption allows powerful figures to maintain mass dependency, impoverish civil society, and see off potential competitors and opponents; if low levels of development can be used to justify outside aid that can then be diverted to personal use; if it leaves an economy dependent upon outside sources of capital and technology, sources with which corrupt leaders will be all too happy to deal personally; and if in daily life citizens and firms have few alternatives but to deal with corrupt leaders and businesses, the latter will be able to enrich themselves in many ways. Sluggish, or even negative, aggregate growth can still be rewarding to entrenched interests if they monopolize significant economic sectors and external aid.

#### IV. CORRUPTION AND ECONOMIC GROWTH

Evidence is mounting that corruption -- whatever its benefits to specific interests, and whatever problems remain when it is reduced -- marginally but significantly reduces economic growth. Far from cutting "red tape", corruption appears to be linked to *increased* inefficiency, and is most serious in

economies that are closed and uncompetitive rather than in those that are more open. Corruption tends to depress investment in human development -- notably, in education -- and to reduce the quality of public services and infrastructure. Corruption can divert international aid to private coffers, reduce the quality of aided projects, and -- not surprisingly -- decrease the willingness of donors to make further contributions even if formal conditionality is not in place. Perhaps of greatest concern for developing countries is evidence that corruption functions, in effect, as a substantial tax upon foreign direct investment. The links between corruption and poor economic development, like those between prosperity and democracy, are complex and imperfect: rapid economic growth and moderate to high levels of corruption have managed to coexist -- so far -- in several nations, particularly in Southeast Asia. Still, extensive corruption, with its chilling effects upon political and economic competition, seems to bear a substantial developmental cost, perhaps most of all in terms of lost opportunities for political - economic synergy.

#### Two Levels of Analysis

Inefficiency in Corrupt Transactions. The economic costs of corruption can be seen both at the level of individual transactions and their extended consequences and in international studies of aggregate growth. By substituting illegitimate payments and preferments for free exchange at market-clearing prices or, where appropriate on policy grounds, for decisions based on legitimate, freely-expressed political mandates, corruption introduces and rewards inefficiency in dealings between the state and private interests (Rose-Ackerman, 1997; Elliott, 1997). Among the sources of inefficiency, apart from

the diversion of resources into corrupt payments themselves, are the costs associated with providing data, negotiating with officials and awaiting outcomes -- all of which can be manipulated by corrupt officials. Mauro (1995) has shown that corruption tends to be higher, and investment lower, in countries with extensive bureaucratic delays, and found no evidence of the red-tape-cutting effects sometimes claimed as a beneficial side effect of corruption. (Indeed, where corruption is entrenched and accountability is weakest, bureaucrats have incentives to contrive more delays, shortages and red-tape requirements, rather than to improve the quality of service and thus reduce opportunities for illicit gains.) Corruption diverts talent (official as well as entrepreneurial), investment, and effort away from productive activities into rent-seeking (Mauro, 1997; see also Murphy, Shleifer and Vishny, 1993). It also produces greater unfairness in decisionmaking and allocation of goods, as those in greatest need generally can pay the least, and protects inefficient contracting for services (Rose-Ackerman, 1997).

An efficient enterprise seeks to keep costs low, and to maximize productive investments that yield predictable returns. In the short term, corrupt influence may seem cheap and expeditious compared to working through legitimate channels -- much less those already blocked by corrupt officials. But bribes and extorted payments are an expensive way to obtain results for which one already qualifies, or that could be had through efficient bidding and operation. Moreover, they can be unreliable: politicians or bureaucrats (or an organized network of them) powerful enough to attract large payments are also powerful enough to trim, or to renege on, their side of the deal. Practitioners

of corruption know that crooked officials do not always "stay bought"; in addition, once they have paid off a powerful official they have in effect provided incriminating evidence that officials can use as leverage against them, and have placed themselves outside the protection of the law. Corruption is thus a risky, unreliable form of influence in the long run, and is likely to sustain inefficient entrepreneurs while adding additional costs to efficient operations. The latter, indeed, may abandon a nation's economy, leaving it to corrupt, inefficient firms and decisionmakers. Moreover, the proceeds of corrupt deals are unlikely to contribute to growth: beyond a certain point where corrupt payments make up for low salaries (but see, on the complexity of this connection, Besley and McLaren, 1993), corrupt returns are likely to be spent on luxury goods or, if plowed into productive investments, to flow out of corrupt countries toward economies offering better returns, more secure institutions, and safe, numbered bank accounts. (A corrupt bureaucrat skilled enough to extract large rents may well be a very efficient calculator when it comes to his own investments.)

The effects of corruption will vary from case to case, depending upon a number of factors. In some countries economic forces are strong and government is accessible, or even weak and divided; there, the emphasis in corruption will be upon economic interests intruding into public decisionmaking. In other places, however, powerful bureaucrats have the upper hand and exploit relatively weak economic interests (Johnston, 1997a). Official leverage also depends upon the type, and number of sources, of goods on offer (Johnston, 1986); upon the number of officials offering comparable goods, the relationships among them, and queuing arrangements for clients (Rose-Ackerman, 1978; Shleifer

and Vishny, 1993); upon the extent and quality of political oversight of the bureaucracy (Rose-Ackerman, 1978); and upon the more informal checks and balances that can emanate from the press, civil society, and political competition. We cannot be certain what sorts of processes and consequences would obtain were levels of corruption to drop significantly. Still, it is difficult to make a case for economic gains from corruption beyond those benefits that directly change hands in a given transaction, and even those are linked to real efficiency costs in the broader system and longer term (the fallacies that flow from analyzing corrupt transactions in isolation are spelled out in Rose-Ackerman, 1996).

Corruption and Economic Growth. International comparisons strongly suggest that corruption marginally, but consistently, depresses economic growth. There are many complexities involved in measuring and comparing growth rates; cross-national comparisons reduce entire economies to single data points, impose upon them a single model of growth, and tell us less than we may wish to know about the kinds and internal distribution of growth taking place. Corruption is even more difficult to measure, though a variety of proprietary indices constructed by business-risk consultants, and by international organizations such as Transparency International, provide rankings that tend to be consistent with each other. Causality is complex (Mauro, 1997): most corruption scales are based upon perceptions held by people who do business in various countries, perceptions influenced by the openness of corruption (as opposed to its actual pervasiveness or effects), by a country's poverty or political culture, or by a range of other subjective factors. These perceptions, in turn, can affect

investment and other economic decisions in ways that are independent of actual corrupt practices.

Thus, any one ranking or data analysis must be regarded with some caution.

Still, the overall pattern emerging from the research is strong, and worrying. Paolo Mauro (1995; 1997), using data from Business International, has found significant connections between high corruption and reduced investment and growth (see also UNDP, 1997). His most recent analysis of data from 94 countries suggests that a reduction of one standard deviation in corruption -- that is, a decline of 2.38 points on a 10-point scale -- would cause annual investment to increase by 4% of Gross Domestic Product (GDP), and per capita GDP growth to increase by one-half of one percent annually (Mauro, 1997; Mauro, 1995). Knack and Keefer (1995), using data from the International Country Risk Guide, reached similar findings. As our earlier discussions of economic competition lead us to expect, data also point to significantly higher levels of corruption in economies with low levels of competition, poor anti-trust policies and enforcement, and markets dominated by a few large firms (Ades and DiTella, 1994). Elliott (1997) has also found a negative relationship between levels of corruption and the overall openness of an economy, another indication of the ease or difficulty with which firms might enter into competition. Not surprisingly, corruption does some of its most serious harm to small businesses; many are forced out of the mainstream economy and into the informal sector (Rose-Ackerman and Stone, 1996; Kaufmann and Kaliberda, 1996). This is a particularly worrisome finding for several reasons, among them the role we might expect small business to play in fostering future economic competition and in allowing marginal groups to gain a stake in the economy, and in its

implication that petty, small-scale corruption too can be a serious concern (on this last point, see Elliott, 1997).

Even the most sophisticated statistical analysis can only estimate the magnitude of these effects. Moreover, it must be re-emphasized that corruption is but one of an interconnected bundle of development problems whose effects on each other are exceedingly complex. While the findings summarized above are statistically strong and stand up well against tests of competing hypotheses, we can only estimate the growth trends that would be found in a country were most corruption to disappear. Finally, we must acknowledge the coexistence of extensive corruption and rapid growth in some of the most dynamic emerging economies, such as those in China and Southeast Asia. The explanation and interpretation of this phenomenon are unclear; it may be that in these economies the costs of corruption will be felt in the future (World Bank, 1997). Growth in those countries might have been even higher without significant corruption, or perhaps because of very rapid growth they can bear some costs of corruption now that will become more burdensome as they become more internally interdependent and shift to the lower growth rates typical of more mature economies. At this point, such ideas are conjectural at best. There is no evidence, however, to suggest that these nations are experiencing intrinsically benign forms of corrupt practice.

Where corruption is linked to reduced growth, there seem to be several causal connections. Primary among them are effects on investment (World Bank, 1997; Mauro, 1997; Mauro, 1995).

Wei (1997) has shown that corruption amounts to a heavy "tax" on foreign direct investment, and estimates that an increase in corruption from the low levels of Singapore to the much higher levels of Mexico would be the equivalent of a 21% tax on investment by multinationals. Mauro (1997) also likens corruption to a tax that can be levied on investments at a number of points. Investment seems to be damaged the most where levels of corruption are high, and the predictability of its rewards is low (World Bank, 1997), perhaps suggesting the negative effects of poorly-functioning institutions (see also Knack and Keefer, 1995) and the developmental costs of concentrating rent-extracting and other forms of power in very few hands.

Mauro has found a tendency for public spending in high-corruption countries to be diverted away from education toward activities where sizeable rents are more easily extracted (Mauro, 1997; Rauch, 1995; Ruzindana, 1997), a result consistent with Alfiler's (1986) finding that corruption is associated with higher-than-expected levels of illiteracy. Significant corruption is associated with poor-quality services and infrastructure (Rose-Ackerman, 1997), and with ineffective tax collection and administration (Mauro, 1997). The quality of institutions and the security of basic economic and property rights are thus undermined, which in turn can make for further corruption (Knack and Keefer, 1995; UNDP, 1997). Poor-quality institutions are unlikely to feature effective checks and balances or accountability, and political oversight of the bureaucracy will likely be ineffective or exercised in ways calculated to extract more rents. Political and bureaucratic corruption may be integrated into a formidable combination (Johnston, 1997b). Keefer (1996) argues that where the

state is capricious and basic economic rights are not credibly protected, investors will insist on high short-term profits, and will keep their capital and productive enterprises as mobile as possible -- scarcely a recipe for sustainable long-term economic development.

Not only does corruption deter private investment; it results in the misuse of international aid. Aid projects in high-corruption countries are less likely to be implemented successfully (IMF, 1995; Kilby, 1995; Isham, Kaufmann, and Pritchett, 1995, 1996). Over time, aid donors will insist on various forms of conditionality, or may simply send their resources elsewhere. Easterly and Ross (1996) have shown that high levels of inter-ethnic conflict also are linked to extensive corruption, a combination of factors likely to be daunting to aid partners and private investors alike. Because corruption as a form of influence requires scarce resources, such as money, access to elites, and special expertise, it is likely to benefit the "haves" in a society at the expense of the "have nots"; not surprisingly, corruption tends to be associated with widespread, persistent poverty (UNDP, 1997).

We see, then, a very powerful set of interlinked forces sustaining, *and being sustained by*, the low-growth, undemocratic, high-corruption syndrome. Poor countries with low levels of economic and political competition are likely to have high levels of corruption, and corruption helps keep poor countries poor by further inhibiting the free political and economic competition, and orderly relationships between wealth and power, that are a minimal condition for sustained development. Is there a way out of this syndrome? If corruption can become embedded in a developmental situation,

policies to combat it should be part of a comprehensive initiative addressing the overall competitive and institutional health of society. But we would also expect different kinds of political and economic problems to produce different kinds of corruption problems; what might be a promising reform in Country A could be unwise in Country B. Thus a first step is to understand a country's development problems. In the section that follows, I offer a tentative framework for such an analysis; but ultimately, there is no substitute for extensive knowledge of a society.

## V. POLITICS, ECONOMICS, AND VARIETIES OF CORRUPTION PROBLEMS

Corruption is not a single, monolithic phenomenon: it comes in many varieties with diverse tendencies and implications. If corruption is indeed a symptom of deeper developmental problems, we might well expect particular varieties of it to be linked to specific connections and imbalances among political and economic forces. As examples, let us consider a society's balance between the accessibility and autonomy of political elites, and second, a balance between economic and political opportunities. (The following discussion draws upon Johnston, 1997b). The first -- which embodies the idea, spelled out above, of institutions defining boundaries and paths of access between the political and economic realms -- envisions a relationship in which private groups can defend and advance their interests while officials can formulate and implement policies in an authoritative manner. The second -- reflecting our arguments about the importance of significant, structured political and economic competition -- refers to the overall balance in the competitive vitality of the political and economic realms.

A general balance (or only moderate imbalances) between official access and autonomy, and between economic and political opportunities, would suggest healthy levels of competition and sound institutions, and thus would likely be a part of the democratic, high-growth, low-corruption syndrome outlined above. Serious imbalances of various kinds, by contrast, would tend to foster particular forms of corruption, and to impede political and economic development. Where access to elites significantly exceeds their autonomy, officials are vulnerable to private influence (legitimate and otherwise) and find it difficult to act independently. Indeed, if elites' hold on power becomes shaky, there is a temptation to take as much as one can as quickly as possible. If, on the other hand, elite autonomy exceeds accessibility, officials may be able to exploit private interests with impunity. As for wealth and power, Huntington (1968) has argued that where political opportunities exceed economic ones, people are likely to abuse power to obtain wealth, while where economic opportunities exceed the political, people will tend to use wealth to buy power. Particular *combinations of imbalances* among these forces, I will suggest, give rise to distinctive corruption problems with differing developmental implications -- problems in which corruption is symptomatic of deeper difficulties -- and point to general reform strategies that can aid democratization, growth, and anti-corruption efforts.

The balance or imbalance between elite accessibility and autonomy, and between political and economic opportunities, will never be perfect. Short-term trends and events may alter both from time to time without necessarily producing major outbreaks of corruption. The focus here is upon significant and lasting imbalances, combinations of which define four general types of corruption

problems. In some of these cases, corruption will be significant but bounded in scope; in others, there are real dangers that corruption may become deeply entrenched. These types of imbalance, and their associated categories of corruption, are illustrated in Table I. (For a fuller discussion of this table, see Johnston, 1997a: 70-79).

Table I:  
Varieties of Corruption as Functions  
of Political Imbalance

STATE/SOCIETY BALANCE:

accessibility of elites > elite autonomy

elite autonomy > accessibility of elites

Corruption type:

interest-group bidding

^

Corruption type:

elite hegemony

Strong private interests, accessible

Entrenched elites limit pol

elites; pol and econ competition;

competition, sell access, enrich

interests use wealth to seek influence;

selves and pol/business allies; OPPORTUNITIES

elite corruption, but largely non-

*risk of extreme corruption*

systematic, on individual basis

Econ > Pol

USA; Germany; UK;

many liberal democracies

China (*guan dao*); military regimes

(Nigeria at var. points); pre-IACC

Hong Kong; S. Korea; LDP Japan

<-----

----->

Corruption type: fragmented  
patronage, extended factionalism,  
*mafias*

Corruption type:

patronage machines

Fragmented and pol insecure elites

Strong elites control mass

Pol > Econ

build personal followings using  
material rewards; followings are  
poorly-disciplined, vulnerable to  
interests, factions in society; some  
corruption linked to intimidation

participation, limit competition, via

patronage; often capitalize upon

mass followers' poverty; parties

well-disciplined, hierarchical,

extend elite power into society;

systematic corruption, perhaps

accompanied by intimidation

*risk of extreme corruption*

Russia, Poland; Peru (pre-Fujimori),

Argentina (pre-Menem); early

Mexico, Sicily, Indonesia;

rapidly urbanizing nations;

evolution of Tammany; Italy; early		mature Tammany machine
civilian regimes in Africa		
	v	

The axes in Table I are not precise demarcations but continua symbolizing relative relationships. The horizontal line refers to the balance or imbalance between elite accessibility and autonomy, and the vertical to that between economic and political opportunities. These imbalances are *relative* in nature: to say that economic opportunities exceed the political, for example, is not to say that they are abundant in any absolute sense, or that a country is wealthy; the key fact might be the extreme scarcity of political opportunities. These dimensions are ordinal, with a relative balance at the intersection and greater imbalances toward the extremes; various countries could be located in different parts of the same "cell". To be sure, many developmental problems arise that are not captured in this table. The goal here is to emphasize the diversity of corruption, and the way it may best be regarded as a symptom of more fundamental problems.

*"Interest-Group Bidding".* In the upper-left region, accessibility of elites exceeds autonomy, and economic opportunities are more plentiful than political ones. Corruption is likely to take the form of wealth pursuing political power; where these imbalances are large, interest groups have considerable leverage and political elites are vulnerable. These groups will represent many types of interests, only some of them business-oriented, but most will resort to economic resources (campaign contributions, gifts and favors, outright bribes) as they seek influence.

This corruption scenario is most typical of liberal democracies, and is generally seen as a departure from procedural fairness and equity. It may be a serious problem, but is unlikely to spiral out of control because bidding is open to many competing interests with relatively narrow agendas. Critics of the process participate in politics too, creating a healthy tendency toward public scandals and, unless abuses are pervasive, can appeal to competing political and economic elites. Individual corrupt deals will be made, but elite syndicates and systematic "shakedown" operations will be rare. Preferential access will more likely produce policy stagnation than out-of-control corruption, but can still be the focus of considerable resentment among those who see themselves as shut out by a corrupt process. The chief danger is that policymaking will become (or be *perceived* to become) an auction, with favorable decisions going to the highest bidder. Reforms in such systems are typically process-oriented -- such as campaign finance laws and lobbying regulations -- and are intended to prevent economic influence from weakening political competition.

*"Elite Hegemony".* More ominous corruption problems appear in the upper-right corner of Table I. Here, a scarcity of political opportunities means that an entrenched elite faces little competition and few meaningful demands for accountability, and thus has the power to manipulate economic opportunities and political access in return for further economic gains. Boundaries between state and society, public and private interests, and politics and administration are likely to be weak. In extreme cases, such as China's, political figures, bureaucrats, and whole agencies go into business overtly or as partners with entrepreneurs. The long-running LDP regime in Japan represented a

somewhat different case: modified one-party politics with extensive state involvement in the economy, and just enough electoral competition to persuade donors that they had a stake in keeping the LDP in power, led to close links between party leadership and large corporations, as seen in the Recruit scandal and others. In undemocratic regimes, corruption issues may become a vehicle for a broad range of grievances, but political and legal processes are manipulated from above and the forces of reform are weak. Corrupt networks may become well-organized and systemic and, because they face little opposition, can become deeply entrenched. Such political competition as does occur is likely to be among elite factions; if intense, it can lead to extreme corruption, as political insecurity creates incentives to take as much and as quickly as possible (for a discussion of the differing implications of political *competition* and political *insecurity*, see Johnston, 1997b). Not surprisingly, reform efforts typically are sporadic, politically-orchestrated crusades, often serving the political needs of elite factions; barring political liberalization, meaningful demands for reform might require, and would very likely deepen, a serious political crisis.

*Fragmented Patronage / Extended Factionalism.* The lower-left quadrant differs from that just discussed in terms of both state-society relationships and balance of opportunities, but resembles its danger of out-of-control or entrenched corruption. Here, elites are not only poorly institutionalized, but also seek power in a setting of intense political competition and scarce economic opportunities. The path to power consists of building a following; but because material rewards are relatively scarce and political alternatives are plentiful, the result is fragmented patronage politics. Elites build personal

followings, not broad-based parties, and find them difficult to control because there is a chronic shortage of rewards and followers have many political alternatives. Forces at play in such a setting may include not only political organizations, but also more sinister groups such as Russia's *mafias* (Handelman, 1995) or Colombia's drug cartels. Corruption may well be linked to intimidation and violence.

This is the most politically unstable of our four categories, and here the danger of extreme corruption is most pronounced. Elites are politically insecure, and thus face temptations toward "hand-over-fist" corruption (Scott, 1972); but followers also contribute to the danger, for their loyalties must be purchased and repurchased in a setting where competition is intense and the reliability of political followings is uncertain. These fragmented, shifting patronage groupings marked the earliest phases of the rise of Tammany Hall (Shefter, 1976). Orderly political competition will be difficult to establish as long as it is clear that playing the role of opposition is of little value for its own sake, and that the real political opportunities lie in the scramble for spoils. Anti-corruption reform, apart from its utility as a club against one's enemies, is unlikely to be much more than a slogan; bureaucrats and law-enforcement officials will be as politically vulnerable as politicians, and neither side can count on reliable support from the other.

*Patronage Machines.* Finally, a well-entrenched elite can manipulate scarce economic rewards to control political competition even where there are significant political opportunities, via the sort of

disciplined patronage organization once known in American cities as political machines. Indeed, as the evolution of Tammany Hall in New York illustrates (Shefter, 1976), a patronage-wielding elite that gradually eliminates competing factions can control government, exploit economic interests, render existing political alternatives economically worthless (or nearly so), and create a disciplined patronage organization. Politics remains the path to wealth, but followers can be controlled *via* a monopoly over patronage; they need not be bribed again and again, but must make do with petty rewards bearing a large political price. In effect Tammany built this sort of machine out of the fragmented patronage politics found in our previous scenario.

Patronage machines are not totally harmonious internally (Johnston, 1979), but they are unlikely to produce out-of-control corruption. The machine leadership profits, politically and economically, from the *status quo*; it is in business for the long term, and will dole out patronage with a goal of maintaining its dominance rather than of looting the state. This is not to imply that such corruption does not do economic damage: it diverts wealth into the hands of the few, levies a "political tax" on business, investment, and many individuals, and maintains the poor in a state of political dependency (Johnston, 1982). Damage to the political system, however, is more likely to come in the form of stagnation than in the form of a collapse. Limited reforms will occasionally be implemented in order to preempt more serious challenges. Chicago's Richard J. Daley was famous for this tactic, and Mexico's PRI has begun to accept electoral losses in recent years. But most corruption issues will likely be raised by marginalized counter-elites, to little political effect.

## VI. STRATEGIES FOR REFORM

The foregoing does not provide a full analysis of corruption problems in any one country, or encompass the full range of corruption problems around the world. Rather, it is offered as an illustration of the importance of thinking about corruption as an outgrowth of underlying imbalances in development. Fighting specific corrupt practices is, and will continue to be, an important enterprise. But unless we address deeper causes in ways appropriate to particular countries' developmental situations, corruption will return, often in more innovating and hard-to-detect forms, and will continue to feed upon and perpetuate situations of weak competition and institutions.

How can we address those deeper problems? At a strategic level, the imbalances that define our four kinds of corruption also suggest approaches to reform:

! Where accessibility of elites decisively exceeds their autonomy, enhance official autonomy by regulating channels of private influence, improving internal bureaucratic management, and enhancing state capacity

! Where elites' autonomy decisively outweighs their accessibility, open up channels of mass participation, accountability and bureaucratic access

! Where economic opportunities greatly exceed political opportunities, enhance the depth and equality of political competition

! Where political opportunities greatly exceed economic opportunities, encourage broad-based economic competition and growth

Just as the two kinds of imbalance work together to indicate four corruption problems, these

strategies combine to suggest four broad reform strategies. These are shown in Table II, which is based upon a simplified version of the earlier matrix:

# Anti-Corruption Strategies

## Officials too Accessible

(Access significantly exceeds autonomy)

## Officials too Isolated

(Autonomy significantly exceeds access)

Protect political  
competition

Open up political alternatives

## Money Pursues

### Power

(Economic opportunities  
exceed political)

Control political uses  
of wealth

Institutionalize official roles

Control political uses of  
wealth

More access to officials

Institutionalize political

Open up political

alternatives

## Power Pursues

### Money

(Political opportunities  
exceed economic)

competition

Control uses of official powers

Broad-based Economic Growth

Control uses of official powers

Broad-based Economic Growth

The specific means for pursuing these broad strategies will vary from country to country; and it must be conceded that none of the tasks outlined above is easy or cheap. The basic point is that different kinds of corruption problems require different types of reform; what might work well in one setting could miss the main problems, or even be harmful, in another.

### Looking for Deeper Solutions

As the four broad reform strategies in Table II suggest, remedies aimed at underlying causes of corruption can be categorized as *competition-enhancing* -- in the economic and/or the political arenas -- and *institutionalizing* reforms (Johnston, 1997b). A rough listing of anti-corruption initiatives in terms of these categories appears in Appendix A. Because these programming initiatives are major undertakings and address big problems in their own right, there will be no quick remedies for corruption. But for these same reasons, we can pursue reform not just directly, but also through programs that change underlying conditions. Indeed, we can fight corruption in the course of other worthwhile things we are already doing.

In this discussion I will not analyze specific measures in great detail, but rather explore the ways they fit into the more general development problems of competition and institutional quality. Similarly, I will not discuss the very important question of conditionality in any significant depth, as it involves a number of policy and political dimensions, and country-by-country calculations, that lie beyond the scope of this analysis. For now, I will simply suggest that conditionality is likely to work best as an anti-corruption measure if the conditions involved refer to *processes* of reform rather than to anti-corruption *outcomes*. The latter approach is likely to encourage false or superficial claims of anti-corruption success, and might well produce an aid process in which anti-corruption conditions are frequently waived, or programs worthwhile on other grounds are frequently cancelled or withheld.

Competition-Enhancing Reforms. Enhancing competition in either arena may well have benefits in the other. Policies that increase economic competition are likely to produce more political competition

as well, as interests gather strength and express demands politically. Enhanced political competition can have economic benefits as well to the extent that it gives opponents of corruption wider choices and enhanced leverage upon elites, inhibits the worst economic abuses by corrupt officials, creates incentives for elected leaders to oversee the bureaucracy more effectively, and converts trends and problems in the economic sphere into effective political demands. Political competition does *not* inevitably produce good economic policy: examples abound of leaders facing electoral defeat who engage in unwise or demagogic economic initiatives, and there are also many cases in which undemocratic governments preside over rapid growth. Still, while economic policies emerging from a competitive political process have their risks, they would seem less likely to protect corruption and rent-producing monopolies than would policies made by undemocratic *fiat*. Nor does competition necessarily eradicate political corruption: electoral abuses and campaign-finance scandals in many countries demonstrate that competitive politics has its own risks. I do suggest, however, that particularly in countries larger than city-states, competitive politics opens up essential opportunities to combat corruption (and protects those who seek to do so), enhances the vitality and legitimacy of important institutions, and can create incentives for elected officials to control abuses, pursue economic growth, and oversee the bureaucracy.

Healthy political competition can come from many sources, and for that reason the very promising notion of "Constituencies for Reform" should be broadened to include a variety of private interests, and issue-oriented groups dealing with other kinds of problems besides corruption, as well as reform-minded organizations. A proliferation of contending interests is a healthy thing in itself, even when that contention leads to controversy and scandal. Indeed, groups motivated by seemingly narrow material goals are likely to become more vigorous and longer-lasting political forces than reformers themselves. This is what Tammany wheelhorse George Washington Plunkitt meant when he said -- admittedly with a very different agenda in mind -- that "reformers are like morning glories" while those with a material stake in politics energize the political process and work hardest at it (Riordon, 1963). It is when people contend over the issues they care about most that they are most

likely to assert themselves vigorously, reach settlements to which they stay committed, and monitor political affairs most closely. In this sense, *some of the incentives that are most important in building political will and commitment to resist corruption will be the kinds of interests motivating ordinary political participation and economic activity in democracies.* This will make it more difficult in the short run for reformers to know who their friends are, but over time it points to ways in which anti-corruption interests can be built into the routine activities of politics and the economy. At another level, economic interests can also become anti-corruption forces if credible guarantees of property and contract rights, improved policy-making and -implementation processes, and technical advice from aid agencies or business-oriented NGOs give them the scope to take a longer-term, more comprehensive view of the costs and risks of corruption as a form of influence. This is all the more important in some of the most serious cases of corruption, where corruption payments may amount mostly to "protection money" paid to rapacious officials. Bringing about that shift in perceptions of corruption will be no simple matter, but "narrow, private interests" should not be written off as partners in reform.

Competition can also be built into the administrative process (World Bank, 1997). At the very least, structuring decisionmaking and service delivery so that clients have more alternatives, and officials find it more difficult to contrive rent-extracting monopolies, is essential. This can be done without a complete overhaul of the bureaucracy, though it must be noted that such a policy can attract significant opposition from corrupt bureaucrats and their clients. At a more comprehensive level, sharing out responsibilities among competing agencies or levels of government, perhaps via a process of regular "bidding" and re-bidding by agencies, can also increase competition and reduce monopolies, as could resource-incentive programs in which agencies could compete for added funds or responsibilities based on their success in meeting a variety of efficiency and anti-corruption goals. The most ambitious way to replace bureaucratic monopolies with competitive processes is to privatize various services; in this, anti-corruption goals will have to be balanced against other policy and budgetary considerations. Moreover, we should remember that sizeable corruption can occur under

the banner of "privatization": the term should not be used as cover for the carving up of public assets among political factions or cronies. Nonetheless, privatization holds promise as an anti-corruption strategy.

Aid to political parties and other civil society groups that increase and channel political participation will also be a competition-enhancing step. Civic education that imparts basic organizational and political skills, and support for members of the press and broadcast media, can also improve the quality of political life. So too, indirectly, may a variety of empowering and enabling policies: literacy programs for women and girls, for example, may not be an anti-corruption measure as such. But if they increase the ability of individuals and families to take part in economic and political life, and to be more aware of their rights as they deal with government and business, they may add to political and economic competition in the long run, while making poor people and communities less vulnerable to exploitation and more aware of their options when they encounter it.

Another question to ask might be what *kinds* of economic growth we should encourage. Growth that strengthens existing political and economic cartels, that is based solely around the extraction of natural resources or on large, rent-creating government contracts, or that forces emerging businesses to rely on corrupt bureaucrats for access to hard currency, raw materials, and export licenses, may end up increasing the leverage of corrupt elites while doing little to enhance the political or economic vitality of society at large. Growth that takes place in regions and among people previously left out of development, by contrast, may over time empower new competing forces. The diffusion of political, civic, organizational, business and technical skills should be a part of policies aimed at such growth, and will very likely be aided by economic success; this will help redress the misallocation of talent that is one effect of significant corruption. If these kinds of growth can cut across ethnic, linguistic, and religious divisions rather than reinforcing them, another step will have been taken toward healthy political and economic competition.

Related to the enhancement of competition is the notion that political contention and conflict -- not including violence, but certainly including controversy, scandal, and free-ranging debate -- are healthy things. The ironic thing about reducing corruption is that often, virtue has little to do with it. Historically, many anti-corruption advances have come through conflict rather than through moral inspiration or self-conscious efforts at reform (Johnston, 1993). Even corruption cases can have a silver lining if they mobilize new constituencies in response, and send the message to elite that misconduct will be punished. The Collor de Mello case in Brazil, for example, brought important middle-class constituencies into politics and, to a degree, contributed to the political revival of civil society, while the recent convictions of two former Presidents were major steps toward reforming the "working rules" of South Korean politics. Political competition is often disorderly and undignified, its agendas shifting and vague, and its moral content ambiguous; but from the standpoint of weakening some of the underlying causes of corruption and giving force and legitimacy to institutions, the process itself is of considerable value. Numerous, vocal constituencies for reform from all sectors of society can be a major force in building (and rewarding) the political will to move decisively against corruption.

It need hardly be added that many of the recommendations here -- for example, channeling growth to hitherto-peripheral groups and regions -- are difficult tasks in their own right. Moreover, measures that increase political and economic competition, particularly when supported from outside a country, can arouse very powerful opposition among existing elites. At issue here, though, is not so much a whole new bag of anti-corruption, pro-development tricks, but rather a way of thinking about the interconnections among many things we are trying to do already. Increasing political and economic competition may be a way of aiding both kinds of development, of combating some of the deeper causes of corruption, and of weakening the damaging feedback processes by which serious corruption helps keep poor countries poor, and undemocratic systems closed off to the needs and interests of their own citizens.

Institutionalizing Reforms. Institutionalizing reforms deal not only with the use of public power and resources, but also with the boundaries and paths of access between government and society. Institutional housekeeping is important: resources must be carefully deployed and accounted for, personnel must be recruited, and then trained (and retrained), with ethical as well as functional issues in mind. These sorts of anti-corruption measures are familiar, and can be the focus of very useful technical assistance and prequalification for aid programs. A more complicated question is that of the basic design of public organizations and the content of policy. Well-run institutions and well-intended laws may still foster corruption if by their design they create incentives to misconduct or impediments to reform. American anti-machine reformers, for example, saw the partisan ballot and district representation on city councils as encouraging boss rule; in response they instituted the nonpartisan ballot and at-large city councils, among other structural reforms. A full discussion of this kind of institutionalizing reform would be impossible in this paper, but one lesson from the American experience is worth noting: institutional reform inevitably replaces old, imperfect institutions with new, imperfect institutions. "Reformed" city governments have been criticized as overly-bureaucratic and unresponsive to groups other than the reformers themselves. If we fight corruption by changing government institutions, we must take great care to ensure that the cure does not prove worse than the disease.

The rule of law, and effective guarantees of civil liberties and human rights, are important institutional prerequisites for political and economic competition and for orderly relationships between those two domains. They can protect rights of economic and political participation, and provide effective avenues of appeal in case of abuses; moreover, the rule of law, broadly construed, includes court and bureaucratic institutions that give citizens and private interests access to the law, and that fairly enforce impersonal, equitable laws in transparent ways. Even first steps toward the effective rule of law and maintenance of civil liberties are worthwhile; Isham, Kaufmann and Pritchett (1995, 1996) have found that even in undemocratic systems the presence of these basic guarantees tends to increase the likelihood of better growth rates and lower levels of corruption than we might otherwise

expect. Democracy is a good way to keep corruption under control, but we need not await fully-developed democracy, any more than we need to wait for a fully-elaborated market economy, to begin to attack the deeper causes of corruption. Credible guarantees of economic rights, as already noted, are also rule-of-law issues (for a more general discussion, see the paper on "market-enhancing institutions" presented by Olson and Cadwell at this conference).

Encouragement and protection of an active civil society is a good way to encourage political and economic competition, but it can also be an institutionalizing reform. Self-organizing activity in civil society offers citizens the opportunity to learn important organizational and political skills, and to develop a stronger sense of their own rights and interests. Even groups with utterly nonpolitical agendas, such as social and sporting associations, perform such functions, and it may well be that in a liberalizing society where a weak civil society coexists with a government of weak democratic instincts, the less political groups (and thereby the least-threatening ones) may be the most sensible targets for support. Other worthwhile processes happen in civil society as well: Cooter (1997) has argued persuasively that social interaction in civil society encourages the formation and reinforcement of legitimate social norms of conduct and fairness -- important social values that contribute to a transition to the "rule-of-law state", and away from the mere "rule of state law". Moreover, business, trade and other organizations in civil society, once they become self-sustaining, can promulgate and enforce their own codes of ethics, imposing moderate anti-corruption penalties quickly, legitimately, and on a lower burden of proof than that required in criminal legal proceedings.<sup>1</sup> The result is a more flexible and easily-applied set of anti-corruption standards, one that can enjoy considerable support from the people and groups to which they apply. Indeed, the breadth and variety of potential anti-corruption forces is so great that political leaders serious about addressing the issue would do well to set up national "Anti-Corruption Roundtables", analogous to those preceding democratization many nations. Realistic, carefully-negotiated "anti-corruption pacts" emerging from such a process, addressing basic causes ranging from low bureaucratic salaries to the need for access to independent

---

<sup>1</sup> I am indebted to Peter Eigen for his comments on this point.

bureaucracies and courts, might be the basis both for major domestic initiatives and for aid and support from the international community.

Orderly political competition itself is a kind of institutionalizing force. While political *insecurity* creates incentives for leaders to steal as much as they can, as quickly as possible (Scott, 1972; Knack and Keefer, 1995) -- because they do not know how long their power will last, and whether they will ever have a chance to return to office -- *competition* means that power changes hands in accepted, predictable ways. Moreover, the losers do not risk being killed, imprisoned, or exiled; they can stay on to fight another day, and this opportunity to seek office again can be a significant deterrent to looting the public treasury on the way out the door. Political competition also strengthens incentives for elected officials to seek economic growth, which can entail reducing corruption, and to engage in effective oversight of the bureaucracy. Structured political competition requires effective electoral and campaign-finance laws, a very complex topic in their own right. Electoral systems should balance openness and fairness of representation with the capacity to yield decisive political mandates, and finance systems should encourage broad-based participation and transparency in the funding of campaigns. Precisely how those goals are best achieved is a question with a different answer for every country, but clearly these institutions are critical if competitive political forces in the economy and society are to be represented within, and to energize, democratic institutions.

Finally, we might consider searching for broader and more widely-agreed-upon definitions of "governance" (see, for a general discussion of corruption issues in governance, UNDP, 1997). While some aid agencies look at governance in general terms -- emphasizing participation, the rule of law, and the soundness of policy and institutions, some of the largest lenders see governance primarily as a matter of orderly project implementation and reliable repayment of loans. Few would deny that these are aspects of good governance, but it may be time for all concerned with sustainable development to look at the broader connections between government and society, and between political and economic development, that are proving to be so important in the research of recent years.

"Governance" might include the state and openness of political and economic competition, the vitality of civil society, and the security of civil liberties and of rights of property and contract. Brautigam (1992) proposes three dimensions of governance: accountability; openness and transparency; and predictability and the rule of law. An OECD document (1995) likewise points to "the form of political regime; the processes by which authority is exercised in the management of a country's economic and social resources; and the capacity of government to formulate and implement policies and discharge government functions." A broader definition of governance, emphasizing the vitality of political and economic competition and the soundness of the institutions linking and delineating those spheres -- perhaps "the degree of institutionalization and openness of the political and economic processes through which social-development decisions are made"? -- might produce a worthwhile shift in emphasis from the administration of projects toward the broader-based assessment of a country's political and economic capacity for development.

## VII. CONCLUSION

What I have tried to do in this paper is to explore the significance of corruption, and the possibilities of reform, in the context of relationships between political and economic development. Not only is corruption harmful to both of those goals, because it impedes competition and weakens orderly relationships between state and society, encouraging illicit connections between wealth and power; it is also sustained by, and may become entrenched within, the uncompetitive, slow-growth, undemocratic situations it helps create. Hence the argument that we should look at corruption as one part of a larger syndrome, and as a symptom of deeper developmental problems.

Perhaps the most important implication of this view is an optimistic one: while the high-corruption, low-development syndrome does constitute a kind of equilibrium, in which reforms are difficult and multiple problems seem to perpetuate each other, it is not the only possible one. There are also numerous examples of *low*-corruption, *high*-growth, democratic equilibria, in which positive

synergy gives the system real anti-corruption strengths and protects the economic and political vitality of society. Historically, there are many examples of countries shifting from the former state to the latter. Conscious efforts at reform have helped in some of these transitions, but often the main movers have been ordinary political and economic interests; and often, societies have reduced their levels of corruption in the process of doing other things. External aid and technical assistance can help with such transitions today, and I hope that on the basis of our discussions at this conference we have identified more, and more specific, ways to do so. But ultimately the main impetus will rest with the political and economic vitality of the societies we seek to aid. The challenge is to free these forces to begin their work, while maintaining a sound and legitimate set of connections between state and society; the promise is that by supporting the economic and political vitality of these countries we can significantly reduce corruption and its corrosive effects by attacking its underlying causes.

APPENDIX A:  
A ROUGH CLASSIFICATION OF ANTI-CORRUPTION INITIATIVES

COMPETITION-ENHANCING:

*Political:*

Civil monitoring  
Transparency initiatives  
Protection for, assistance to mass media  
Civic education  
"Constituencies for Reform"

*Economic:*

Strengthening civil society  
Judicious, genuine privatization  
Regulatory reform and deregulation  
Credible economic rights and  
rule-of-law initiatives  
Aid to growth in non-mainstream communities  
Individual empowerment (e.g. literacy  
programs, ombudsmen, micro-credit)

INSTITUTION-BUILDING:

National anti-corruption roundtables and pacts  
Bureaucratic oversight  
Independence for courts and bureaucracies  
Higher civil-service pay, enhanced training;  
General civil-service reform  
Electoral and political-finance reforms  
Strengthening civil society  
Enhanced enforcement of laws and bureaucratic procedural rules  
Rule-of-Law initiatives

## WORKS CITED

- Ades, Alberto, and Rafael di Tella. 1994. "Competition and Corruption." Working paper, Oxford University Institute of Economics and Statistics, Oxford, United Kingdom.
- Alam, M. S. 1995. "A Theory of Limits on Corruption and Some Applications." *Kyklos* 48(3): 419–35.
- Alfiler, Ma. Concepcion P. 1986. "The Process of Bureaucratic Corruption in Asia: Emerging Patterns." In L. V. Cariño, ed., *Bureaucratic Corruption in Asia: Causes, Consequences, and Control*. (Quezon City: JMC Press).
- Barro, Robert J. 1995. "Economic Freedom and Political Democracy." *Swiss Review of World Affairs* (January 3): 20-22.
- Besley, Timothy, and John McLaren. 1993. "Taxes and Bribery: The Role of Wage Incentives." *The Economic Journal* 103(January): 119–41.
- Brautigam, Deborah. 1992. "Governance, Economy, and Foreign Aid." *Studies in Comparative International Development* 27(3): 3–25.
- Cooter, Robert D. 1997. "The Rule of State Law Versus the Rule-of-Law State: Economic Analysis of the Legal Foundations of Development." In Proceedings of the *Annual World Bank Conference on Development Economics 1996*. Washington, D.C.: World Bank.
- Dobel, J. P. 1978. "The Corruption of a State." *American Political Science Review* 72(3): 958-973.
- Easterly, William, and Ross Levine. 1996. "Africa's Growth Tragedy: Policies and Ethnic Divisions." World Bank, Policy Research Department, Washington, D.C.
- Elliott, Kimberly A. 1997. "Corruption as a Global Policy Problem: Overview and Recommendations." In Kimberly A. Elliott, ed., *Corruption and the Global Economy*. Washington, DC: Institute for International Economics.
- Euben, J. Peter. 1978. "On Political Corruption." *The Antioch Review* 36(1): 103-118.
- Gibbons, Kenneth M. 1988. "Toward an Attitudinal Definition of Corruption", in A. J. Heidenheimer, M. Johnston, and V. T. LeVine (eds.), *Political Corruption: A Handbook*. (New Brunswick, NJ: Transaction Press): 165-171.
- Handelman, Stephen. 1995. *Comrade Criminal: Russia's New Mafiya*. New Haven: Yale University Press.
- Hao, Yufan, and Michael Johnston. 1995. "Reform at the Crossroads: An Analysis of Chinese Corruption."

Huntington, Samuel P. 1968. *Political Order in Changing Societies*. New Haven: Yale University Press.

\_\_\_\_\_. 1991. *The Third Wave: Democratization in the Late Twentieth Century*. Norman, OK: University of Oklahoma Press.

Inglehart, Ronald. 1990. *Culture Shift in Advanced Industrial Society*. Princeton: Princeton University Press.

IMF (International Monetary Fund). 1995. *Unproductive Public Expenditures: A Pragmatic Approach to Policy Analysis*. Washington, DC: IMF, Pamphlet Series 48.

Isham, Jonathan, Daniel Kaufmann, and Lant Pritchett. 1995. "Governance and Returns on Investment: An Empirical Investigation." Policy Research Working Paper 1550. World Bank, Policy Research Department, Poverty and Human Resources Division, Washington, D.C.

\_\_\_\_\_. 1996. "Civil Liberties, Democracy, and the Performance of Government Projects." World Bank, Policy Research Department, Poverty and Human Resources Division, Washington, D.C.

Johnston, Michael. 1979. "Patrons and Clients, Jobs and Machines: A Case Study of the Uses of Patronage." *American Political Science Review* 73(2): 385–98.

\_\_\_\_\_. 1982. *Political Corruption and Public Policy in America*. Monterey, CA: Brooks-Cole.

\_\_\_\_\_. 1986. "The Political Consequences of Corruption: A Reassessment." *Comparative Politics* 18(4): 459-477.

\_\_\_\_\_. 1993. "Political Corruption: Historical Conflict and the Rise of Standards." In Larry Diamond and Marc F. Plattner, eds. *The Global Resurgence of Democracy*. Baltimore: Johns Hopkins University Press.

\_\_\_\_\_. 1996. "The Search for Definitions: The Vitality of Politics and the Issue of Corruption." *International Social Science Journal* 149 (Spring): 321-335 (English-language version).

\_\_\_\_\_. 1997a. "Public Officials, Private Interests, and Sustainable Democracy: When Politics and Corruption Meet." In Kimberly A. Elliott, ed., *Corruption and the Global Economy*. Washington, D.C.: Institute for International Economics.

\_\_\_\_\_. 1997b. "What Can Be Done about Entrenched Corruption?" Washington, DC: The World Bank. Paper presented at the 9th Annual Bank Conference on Development Economics.

Johnston, Michael, and Yufan Hao. 1995. "China's Surge of Corruption." *Journal of Democracy* 6(4):

Kaufmann, Daniel, and Aleksander Kaliberda. 1996. "Integrating the Unofficial Economy into the Dynamics of Post-Socialist Economies: A Framework of Analysis and Evidence." In B. Kaminski (ed.), *Economic Transition in Russia and the New States of Eurasia*. Armonk, NY: M. E. Sharpe.

Keefer, Philip. 1996. "Protection Against a Capricious State: French Investment and Spanish Railroads, 1845–1875." *Journal of Economic History* 56(1): 170–92.

Khan, Mushtaq. 1997. "Corruption in South Asia: Patterns of Development and Change." Paper presented at the Workshop on Corruption and Development, Institute of Development Studies, University of Sussex, May 6, 1997.

Kilby, Christopher. 1995. "Risk Management: An Econometric Investigation of Project-Level Factors." Washington, DC: The World Bank, Operations Evaluation Department.

Klitgaard, Robert. 1988. *Controlling Corruption*. Berkeley: University of California Press.

Knack, Stephen, and Philip Keefer. 1995. "Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures." *Economics and Politics* 7(3): 207–27.

Leys, Colin. 1965. "What is the Problem about Corruption?" *Journal of Modern African Studies* 3(2): 215–230.

Mauro, Paolo. 1995. "Corruption and Growth." *Quarterly Journal of Economics*. CX(2): 681–712.

\_\_\_\_\_. 1997. "The Effects of Corruption on Growth, Investment, and Government Expenditure: A Cross-Country Analysis." In Kimberly A. Elliott, ed., *Corruption and the Global Economy*. Washington, D.C.: Institute for International Economics.

Moodie, Graeme C. 1980. "On Political Scandals and Corruption." *Government and Opposition* 15(2): 208–222.

Murphy, Kevin M., Andrei Schleifer, and Robert W. Vishny. 1993. "Why is Rent-Seeking So Costly to Growth?" *American Economic Review* 83(2): 409–414.

Nye, Joseph S. 1967. "Corruption and Political Development: A Cost-Benefit Analysis." *American Political Science Review* 61(2): 417–427.

Organization for Economic Cooperation and Development. 1995. *Participatory Development and Good Governance*. Paris: OECD.

Peters, John G., and Susan Welch. 1978. "Political Corruption in America: A Search for Definitions

and a Theory." *American Political Science Review* 72(3): 974-984.

Philp, Mark. 1987. "Defining Corruption: An Analysis of the Republican Tradition", paper presented to the International Political Science Association research roundtable on political finance and political corruption, Bellagio, Italy; mimeo.

Przeworski, Adam, and Fernando Limongi. 1993. "Political Regimes and Economic Growth." *Journal of Economic Literature* 7(3): 51-69.

Przeworski, Adam. 1995. *Sustainable Democracy*. Cambridge: Cambridge University Press.

Rauch, James. 1995. "Bureaucracy, Infrastructure, and Economic Growth: Evidence from US Cities During the Progressive Era." *American Economic Review* 85(4): 968-979.

Riordon, William L. 1963. *Plunkitt of Tammany Hall*. New York: E. P. Dutton.

Rose-Ackerman, Susan. 1978. *Corruption: A Study in Political Economy*. New York: Academic Press.

———. 1996. "When is Corruption Harmful?" World Bank, Washington, D.C.

———. 1997. "The Political Economy of Corruption." In Kimberly A. Elliott, ed., *Corruption and the Global Economy*. Washington, D.C.: Institute for International Economics.

Rose-Ackerman, Susan, and Andrew Stone. 1996. "The Costs of Corruption for Private Business: Evidence from World Bank Surveys." Washington, D.C.: The World Bank Development.

Ruzindana, Augustine. 1997. "The Importance of Leadership in Fighting Corruption in Uganda." In Kimberly A. Elliott, ed., *Corruption and the Global Economy*. Washington, D.C.: Institute for International Economics.

Scott, James C. 1972. *Comparative Political Corruption*. Englewood Cliffs, New Jersey: Prentice-Hall.

Shefter, Martin. 1976. "The Emergence of the Political Machine: An Alternative View." In W. D. Hawley, ed., *Theoretical Perspectives on Urban Politics*. Englewood Cliffs, New Jersey: Prentice-Hall.

Shleifer, Andrei, and Robert W. Vishny. 1993. "Corruption." *Quarterly Journal of Economics* 108(3): 599-617.

Thompson, Dennis F. 1993. "Mediated Corruption: The Case of the Keating Five." *American Political Science Review* 87(2): 369-381.

———. 1995. *Ethics in Congress: From Individual to Institutional Corruption*. Washington, D.C.: Brookings.

Thucydides. 1954 ed. *History of the Peloponnesian War*. (Tr. Rex Warner) London: Penguin.

UNDP (United National Development Program). 1997. *Corruption and Good Governance*. New York:  
UNDP, Management Development and Governance Division, Discussion paper number 3.

Wei, Shang-Jin. 1997. "How Taxing is Corruption on International Investors?" Cambridge, MA: Harvard  
University, Kennedy School of Government, mimeo.

World Bank. 1997. *The State in a Changing World: World Development Report 1997*. Oxford: Oxford  
University Press.